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SUBJECT: HONG KONG MOVING TO CREATE WORLD-CLASS UNIVERSITY
SYSTEM

¶1. (SBU) SUMMARY: Education is one of "six pillar industries" the Hong Kong Government (HKG) has identified for financial incentives and other government support, in a policy effort to diversify the economy away from financial services and foreign trade. The post-secondary education system is arguably the most important component of the education pillar; it has received significant government support. The government-funded, semi-autonomous University Grants Committee (UGC) has been coordinating Hong Kong's efforts to create a world-class post-secondary education system. Under its guidance, the HKG, Legislative Council (LegCo) and the leaders of Hong Kong's seven public universities have agreed to implement three key initiatives: (a) shifting all universities to four-year undergraduate degree programs in 2012; (b) increasing funding for university research programs; and (c) doubling the percentage of non-local students at Hong Kong's universities (currently 10%). The UGC recently established a higher education review committee to deliver an analysis in 2010 and recommend additional steps to improve Hong Kong's university system. END SUMMARY

¶2. (SBU) Comment: Most HKG announcements of support for the six pillar industries came during the depths of the global economic downturn. They were largely devoid of details regarding funding and program development. Media sources have noted the paucity of significant, tangible HKG efforts to support the six pillars. Whether the overall strategy gathers steam will depend on many factors. However, observers expect the education pillar to continue garnering political support and funding, as Hong Kong's public universities strive to move up the global rankings. Hong Kong's political and business leaders understand the economic benefits from a world-class university system. With larger budgets, strategic guidance from the UGC, and continued sound management practices, Hong Kong's universities should benefit from Asia's economic rise and the associated "redistribution of brains" toward the region. End Comment

HKG To Support "Six Economic Pillars"

¶3. (U) The HKG in April 2009 identified "six pillar industries" for government support, as a means to diversify the local economy away from financial services and foreign trade. The six pillar sectors are: education services; medical care; environmental protection; cultural and creative; innovative science and technology; and product testing and certification. The HKG's promotion of the six pillars - announced during the depths of the global economic downturn and financial services industry crisis - marks a departure by the HKG from its traditional non-interventionist approach toward economic development. Details of the strategy and specific support programs are in embryonic stages, but analysts see higher education as one of the most promising areas for further development.

Tectonic Shifts in Higher Education

¶4. (SBU) To date, the most visible and significant government support for the six pillar concept has been targeted at Hong Kong's post-secondary education system. In a move announced several years ago and fully supported under the education "pillar," Hong Kong will change its undergraduate university degree programs from the British three-year model to a four-year system more closely resembling that of the U.S. and mainland China. This major shift will begin in 2012 when the last year of secondary school is converted to a freshman university year. To successfully establish the extra university year, Hong Kong's seven public universities will have to hire an additional 1,000 professors, along with hundreds of instructors and administrative staff, according to Education Bureau Principal Assistant Secretary (PAS) Amy Wong. She told Econoff on November 12 that the HKG and LegCo would support increased budgets and research grants for Hong Kong's publicly-funded universities to ensure they attract top-notch foreign professors with competitive compensation packages. Hong Kong's public universities will also need to build thousands of additional dorm rooms. "The student housing shortage will worsen in 2012, despite current construction programs," she noted.

¶5. (SBU) The University Grants Committee (UGC) will continue to play a critical role in these developments. The UGC is a non-statutory, semi-autonomous body that advises the HKG on higher education matters and controls the allocation of almost all government funds to Hong Kong's public universities. It also provides institutions with

developmental and academic advice, and monitors their performance to ensure cost-effective attainment of high academic standards. The UGC makes funding allocations every three years, based on its review of each university's spending plans. UGC funding for the 2009-2012 triennium totals USD 1.45 billion per year, or almost five percent of the HKG's current annual budget. Each public university enjoys operating autonomy, including control of curricula, academic standards, staff recruitment, and selection of students. The HKG's Chief Executive appoints UGC members. The 27 members currently include ten non-local individuals (two from the PRC, two from the U.S., and others from the UK, Australia and other nations) and seven non-academics.

Steps Toward Creating World-Class Universities

¶6. (SBU) UGC Deputy Director General Dorothy Ma told Econoff on November 13 that the UGC paid close attention to the annual Times Higher Education-QS World University ranking of global universities. Of the top 15 universities ranked in October 2009, eleven were American and four were British. Hong Kong University was the highest-ranked local university (24th in the world), with two others in the top 50 (University of Science and Technology - 35; and Chinese University of Hong Kong - 46). For regional comparison, the PRC's top university (Tsinghua University) was ranked 49th, while the top universities of South Korea and Japan were ranked 47th and 22nd, respectively.

¶7. (SBU) Ma said the UGC intended to boost the international rankings of Hong Kong's public universities by achieving three main goals: (1) lengthening undergraduate degree programs to four years beginning in 2012; (2) obtaining increased HKG funding for the growing number of university-sponsored research proposals; and (3) doubling the proportion of "non-local" students enrolled in undergraduate and post-graduate degree programs.

Mainland Students Dominate Among Non-Local Post-Grads

¶8. (SBU) Ma said "non-local" students accounted for only ten percent of Hong Kong's 62,400 students seeking undergraduate

and post-graduate degrees at public universities. Non-locals accounted for a much higher percentage at the post-graduate level. According to UGC statistics for the 2008/09 academic year (latest available information), over 95 percent of non-local degree-seeking students were from Mainland China. (Note: An additional 12,000 post-secondary students are fully self-funded at private institutions in Hong Kong.) Beginning in May 2008, in an effort to boost the proportion of non-local post-secondary students, the HKG allowed non-local students to work part-time and take summer jobs while pursuing their degrees. The HKG also enabled them to remain in Hong Kong for up to one year after graduation to seek employment. Ma said these measures have not appreciably boosted enrollment of international students. "Our marketing efforts have been insufficient," she said.

Only 45 AmCits Studying Toward Degrees in Hong Kong

¶9. (SBU) Education Bureau PAS Wong said the UGC and the universities needed to increase their efforts to market the attractiveness of Hong Kong's universities to non-Chinese students. She noted that few international students considered Hong Kong for their university education, despite the city's growing reputation for academic excellence, reasonable tuition fees for foreign students (approximately USD 13,000 per year), and the use of English as the standard language of instruction. Citing an example of the paucity of foreign students, Ma told EconOff that while hundreds of U.S. citizens participated in exchange programs at Hong Kong's public universities, only 45 Americans were seeking degrees in Hong Kong. Hong Kong University is the only public university with more than 100 non-Asian degree-seeking students (it has approximately 150).

¶10. (SBU) Both Wong and Ma acknowledged the lack of affordable housing (whether in the form of dorm rooms or off-campus lodgings) remained perhaps the biggest constraint on efforts to attract foreign students. For example, Hong Kong University currently had a 2.5 year waiting list for its very limited supply of student housing. Local parents and "many LegCo members" have criticized UGC lobbying efforts to attain government funding for additional foreign student dorm spaces, according to Ma. "They often view student housing as

a zero-sum game between local and international students, and as for now, they are unfortunately correct," she said.

Review Committee to Recommend Way Forward

¶11. (SBU) Ma said the UGC recently established a Higher Education Review Committee, headed by Colin Lucas (former Vice Chancellor of Oxford University and current Chairman of the British Library). The committee will produce a "forward looking analysis" by 2010 year-end focusing on "world trends" in higher education. It will recommend specific steps to develop a world-class post-secondary education system in Hong Kong. Ma said the report will serve as the UGC's analytical basis to lobby for additional funding from the Education Bureau and LegCo.

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